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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF ) **SETTLEMENT**  
NORTHWESTERN ENERGY FOR ) **STIPULATION**  
AUTHORITY TO INCREASE NATURAL GAS )  
RATES IN SOUTH DAKOTA ) **NG07-013**

On June 1, 2007, NorthWestern Corporation, a Delaware corporation doing business as NorthWestern Energy (NorthWestern), filed with the South Dakota Public Utilities Commission (Commission) an application for authority to increase rates for natural gas service in South Dakota. NorthWestern filed direct testimony seeking an increase of approximately \$3,682,000. On October 19, 2007, the Commission Staff (Staff) filed its direct testimony supporting an overall increase for NorthWestern of \$952,180.

Subsequently, NorthWestern and Staff (Parties) held several negotiating sessions in order to discuss the filing and the testimony filed by each Party. As a result of these sessions, the Parties have been able to resolve all of the differences in this proceeding and have reached agreement in the form of this Settlement Stipulation, which, if accepted and ordered by the Commission, will determine final rates for service for this proceeding.

This Settlement Stipulation has been prepared and executed by the Parties for the sole purpose of resolving the above captioned docket. The Parties acknowledge that they may have differing views that justify the end result, which they themselves deem to be just and reasonable, and in light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Settlement Stipulation, should not be viewed as precedent setting.

In consideration of the mutual promises contained herein, the Parties agree as follows:

1. Upon execution of this Settlement Stipulation, the Parties shall immediately file this document with the Commission, along with a joint motion asking the Commission to issue an order approving this Settlement Stipulation in its entirety without further condition or modification.

2. This Settlement Stipulation includes all terms of settlement and is submitted with the condition that in the event that the Commission imposes any changes or conditions to this Settlement Stipulation which are unacceptable to any Party, this Settlement Stipulation shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose.

3. This Settlement Stipulation shall become binding upon execution by the Parties, provided however, that if this Settlement Stipulation does not become effective in accordance with Paragraph 2 above, it shall be null, void and privileged. This Settlement Stipulation is intended to relate only to the specific matters referred to herein; no Party waives any right or claim which it may otherwise have with respect to any matter not expressly provided for herein; and no Party shall be deemed to have approved, accepted, agreed or consented to any rate making principle, or any method of cost of service allocation underlying the provisions of this Settlement Stipulation, or be prejudiced or bound thereby in any other present or future proceeding before the Commission.

4. The Parties to this proceeding stipulate that all prefiled testimony and exhibits be made a part of the record of this proceeding. The Parties understand that if this matter had not been settled, NorthWestern would have filed rebuttal testimony and the Commission Staff would have responded to certain of the positions maintained in NorthWestern's rebuttal testimony.

5. It is understood that Commission Staff enters into this Settlement Stipulation for the benefit of NorthWestern's customers in South Dakota affected by this docket.

6. The Parties agree that NorthWestern's attached rate schedules are designed to produce an ongoing annual increase in base rate levels (excluding purchased gas cost adjustment, ad valorem tax adjustment, and sales taxes) of \$3,077,543 for retail natural gas service in South Dakota. The Parties agree to a 7.96% rate of return. The return on equity shall be kept confidential pursuant to Commission rules in effect. The Parties agree that NorthWestern shall not file for a rate increase for natural gas service, for rates proposed to be in effect prior to December 1, 2010; provided this restriction would not prevent NorthWestern from filing for a rate increase to take effect prior to December 1, 2010, if the conditions in paragraph 19 are met.

7. The \$3,077,543 rate increase is an increase of approximately 5.6% from test year revenues.

8. The revised rate schedules shall be implemented with service rendered on and after December 1, 2007, with the bills prorated so that usage prior to December 1, 2007, is billed at the previous rates and usage on and after December 1, 2007, is billed at the new rates.

### **CONDITIONS OF THE SETTLEMENT STIPULATION**

9. The Parties agree that the former Nekota Pipeline plant and the Prairie Ethanol plant is included in NorthWestern's rate base and that the accelerated depreciation expense related to the former Nekota plant and the Prairie Ethanol plant is recognized in the determination of the settlement revenue requirement. NorthWestern agrees that it will record this depreciation expense on its books such that the accelerated cost recovery will result in the related reduction in its rate base in future rate determinations.

10. NorthWestern agrees that should any Contract with Deviations customer default on its contract obligations such that the line extension costs incurred to serve the customer are not fully recovered from the customer, NorthWestern shall be responsible for such costs and shall not be allowed to recover them from its other customers.

11. For all new customers under a contract with deviations or those that renew existing contracts upon termination, NorthWestern will show to the Commission in a separate filing that the contract revenues recover an appropriate share of all applicable costs, including overheads, prior to NorthWestern entering into the new contract with deviations.

12. For all future contracts with deviations customers, including renewal of existing contracts, NorthWestern will remove property taxes from the distribution or transportation charges and list them as a separate item for recovery in the contract rates, or at least be easily identifiable insuring the property tax expense recovered from the contract with deviations customers reduce the applicable ad valorem costs to be recovered from the tariff customers in the ad valorem adjustment clause.

13. NorthWestern agrees that the Class Cost of Service Study (Statement O) submitted with its next general rate filing shall treat contract with deviations customers as a class, either as a single class, multiple classes or individually based on load characteristics, to which costs shall be assigned or allocated including an appropriate allocation of system common costs.

14. NorthWestern will record the Freeman/AMPI transaction as prescribed in 18 CFR part 201. NorthWestern is prohibited from recovering any gas plant acquisition adjustments (account 114) for the Freeman/AMPI plant in this or future natural gas rate cases.

15. The Parties agree that the settlement revenue requirement includes \$1,425,400 of Manufactured Gas Plant (MGP) site environmental clean-up costs and that if, on average for the period during which the settlement rates remain in effect, NorthWestern's actual annual expenditures, net of any future insurance proceeds, are less than this amount, an adjustment to credit ratepayers with the shortfall will be reflected in its next general rate filing.

16. The Parties agree that South Dakota's allocated share of amounts recovered from insurance companies and carrying charges related to the remediation of the Huron MGP site is \$2,279,583 and that the settlement rates were designed to credit NorthWestern's customers with this entire amount over a 36-month period. Should the settlement rates be in effect for less than 36 months, NorthWestern shall by further credit or other means, credit its customers with the remaining amounts.

17. In addition, NorthWestern does not anticipate any additional insurance recoveries related to environmental remediation costs in South Dakota. If NorthWestern does receive any insurance recoveries for environmental remediation costs prior to its next general rate filing, any such recoveries will be reported to the Commission within 60 days of receipt. Beginning on January 31, 2009, and for every year thereafter, NorthWestern will provide Staff with an electronic copy of its internal report titled "NPS 265319 Environmental" which tracks clean up costs and insurance recoveries. This report will include the South Dakota and Nebraska detail as provided in Data Response 3-21. The Parties also agree that the reporting requirement regarding recovery of manufactured gas plant costs included in the Order Approving Tariff Revisions and Approving Settlement and the requirement to pass back insurance recoveries to ratepayers contained in the Settlement Agreement in Docket NG96-015 is hereby terminated and superseded by this Settlement Stipulation in NG07-013.

18. The Parties also agree that the reporting requirement regarding new or revised contracts with affiliates found in the last sentence of the last paragraph of Article III of the Settlement Agreement in Docket NG99-002 is hereby terminated.

19. The Parties agree that NorthWestern shall not file for a rate increase for natural gas service, for rates proposed to be in effect prior to December 1, 2010, unless the South Dakota gas

costs of service, described in this filing as Adjusted Test Year with Revenue Adjustment total operating expenses, less Natural Gas Cost, less Property Taxes, increases by more than 10% annually due to (1) changes in federal, state or local governmental requirements or governmental charges including, but not limited to, environmental clean-up requirements imposed on NorthWestern after December 1, 2007; (2) Inflation - The Consumer Price Index, All Urban, as compiled by the United States Department of Labor increases to a monthly rate for six consecutive months which if continuing for the following six months would result in a 10 percent or more annual inflation rate; or (3) loss of a current major customer which is defined as a customer as of December 1, 2007, using over 1,000 dekatherms (dth) of natural gas per day, excluding recovery cost of the line extension costs of the contract with deviation customers.

NorthWestern Energy

BY: 

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DATED: 12/4/07

South Dakota Public Utilities Commission

BY: 

Karen E. Cremer  
Staff Attorney  
State Capitol Building  
500 E. Capitol  
Pierre, SD 57501

DATED: 12-04-07

# SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY

Section No. 2

HURON

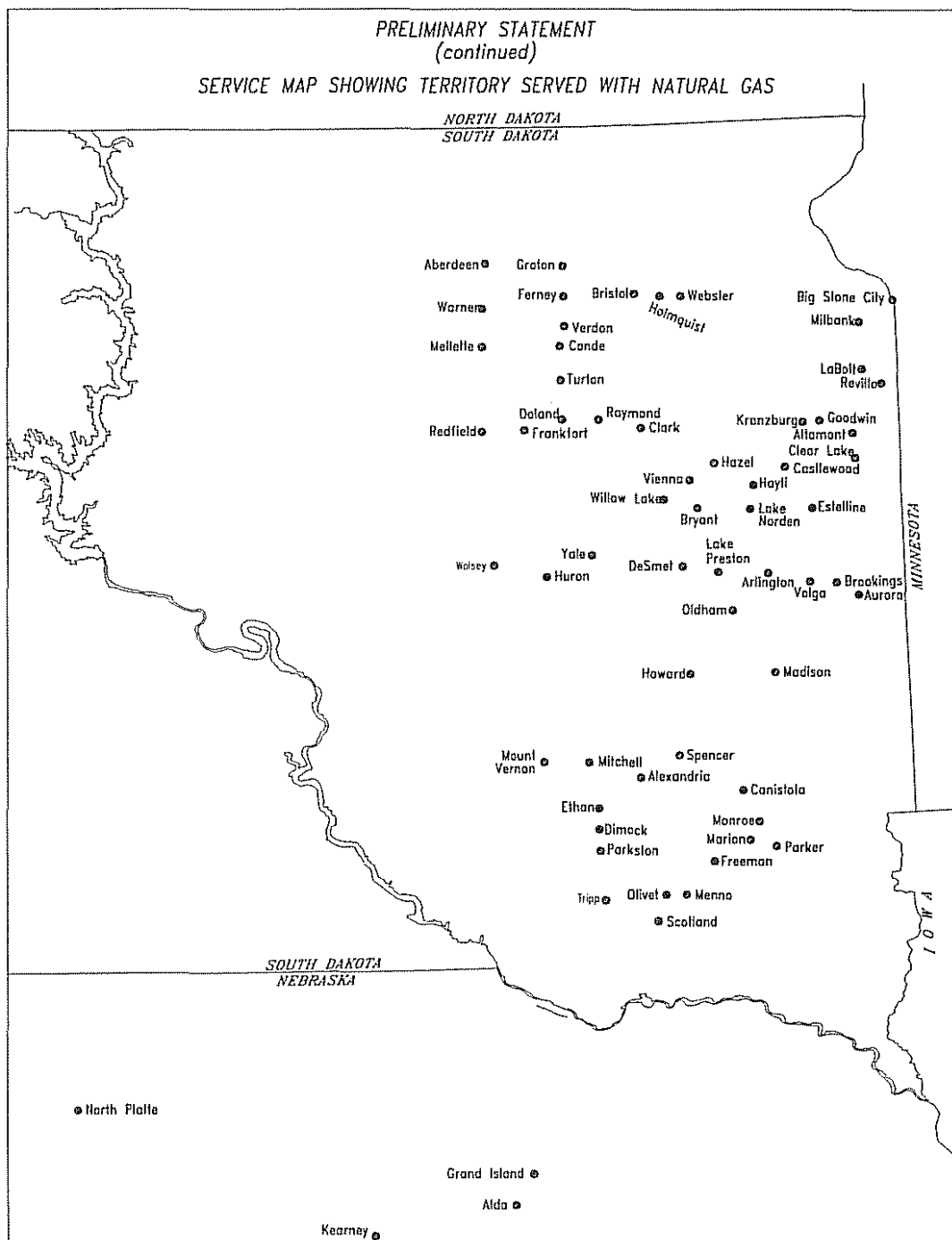
7<sup>th</sup> Revised

Sheet No. 2

SOUTH DAKOTA

Canceling 6<sup>th</sup> Revised

Sheet No. 2



Date Filed: June 1, 2007

Effective Date: December 1, 2007

Jeff J. Decker

Issued By: Rates Analyst

**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY**  
**HURON**  
**SOUTH DAKOTA**

Section No. **3**  
18<sup>th</sup> Revised      Sheet No. **1**  
Canceling 17<sup>th</sup> Revised      Sheet No. **1**

**CLASS OF SERVICE: Residential Gas Service**  
**RATE DESIGNATION: Firm Sales**

**Rate No. 81**

**1. Applicability**

This rate is available to domestic customers whose maximum requirements for natural gas are not more than 200 therms per day. The name plate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirements, based on 10 hours use per day.

**2. Territory**

The area served with natural gas by the Company in South Dakota.

**3. Rates**

Monthly Charges:

<b>Customer Charge</b> per Meter:	\$ 7.00	<b>(I)</b>
<b>Non-Gas Commodity Charge:</b>		
First 30 therms, per therm	\$ 0.3130	<b>(I)</b>
Over 30 therms, per therm	\$ 0.1500	<b>(I)</b>
<b>Standby Capacity Charge - December through March:</b>	\$ 12.00	

Minimum Monthly Bill: \$ 7.00 **(I)**

Adjustment Clauses:

- a. Adjustment Clause shall apply. (Sheet Nos. 9, 9a, 9b)
- b. Tax Adjustment Clause shall apply. (Sheet No. 10)
- c. BTU Adjustment Clause shall apply. (Sheet Nos. 12, 12a)

**4. Other Provisions**

The Standby Charge is applicable to customers using service pursuant to this schedule as a backup fuel source to an alternately fueled heating system. This charge is not applicable where natural gas service is the primary heating fuel source.

Service will be furnished under the Company's General Terms and Conditions.

**Date Filed: June 1, 2007**

**Service on and after**  
**Effective Date: December 1, 2007**

**Jeff J. Decker**  
**Issued By: Rates Analyst**

**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY**  
**HURON**  
**SOUTH DAKOTA**

	<b>Section No. 3</b>
<b>4th Revised</b>	<b>Sheet No. 2</b>
<b>Canceling 3rd Revised</b>	<b>Sheet No. 2</b>

**CLASS OF SERVICE: General Gas Service**  
**RATE DESIGNATION: Firm Sales**

**Rate No. 82**

**1. Applicability**

This rate is available to non-residential customers whose maximum requirements for natural gas are not more than 200 therms per day. If no historical peak day usage is available, the name plate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirements.

**2. Territory**

The area served with natural gas by the Company in South Dakota.

**3. Rates**

Monthly Charges:

<b>Customer Charge</b> per Meter:	\$ 9.00	<b>(I)</b>
<b>Non-Gas Commodity Charge:</b>		
First 400 therms, per therm	\$ 0.1684	<b>(I)</b>
Next 1,600 therms, per therm	\$ 0.1100	<b>(I)</b>
Over 2,000 therms, per therm	\$ 0.0865	<b>(I)</b>
<b>Standby Capacity Charge - December through March:</b>	\$ 37.00	

<u>Minimum Monthly Bill:</u>	\$ 9.00	<b>(I)</b>
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Adjustment Clauses:

- a. Adjustment Clause shall apply. (Sheet Nos. 9, 9a, 9b)
- b. Tax Adjustment Clause shall apply. (Sheet No. 10)
- c. BTU Adjustment Clause shall apply. (Sheet Nos. 12, 12a)

**4. Other Provisions**

The Standby Charge is applicable to customers using service pursuant to this schedule as a backup fuel source to an alternately fueled heating system. This charge is not applicable where natural gas service is the primary heating fuel source.

Service will be furnished under the Company's General Terms and Conditions.

**Date Filed: June 1, 2007**

	<b>Service on and after</b>
<b>Effective Date:</b>	<b>December 1, 2007</b>

<b>Jeff J. Decker</b>
<b>Issued By: Rates Analyst</b>



# SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY  
HURON  
SOUTH DAKOTA

Section No. 3  
9<sup>th</sup> Revised Sheet No. 3.1  
Canceling 8<sup>th</sup> Revised Sheet No. 3.1

**CLASS OF SERVICE: Commercial and Industrial**  
**RATE DESIGNATION: Firm Sales Service**

**Rate No. 84**

**1. Applicability**

This rate is available for firm gas volumes, on a contract basis, to commercial and industrial customers whose maximum requirements for natural gas are greater than 200 therms per day, and who may also require volumes of interruptible gas in excess of firm demand volumes for which they have contracted. If no historical peak day usage is available, the name plate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirement.

**2. Territory**

The area served with natural gas by the Company in South Dakota.

**3. Rates**

Customer may choose the rate option, and level of daily contract demand (never less than 50 therms), which best fits the customer's needs.

Monthly Charges:

	<u>Option A</u>	<u>Option B</u>
<b>Customer Charge</b> per Meter:	<u>\$ 80.00</u>	<u>\$280.00</u>
<b>Non-Gas Commodity Charge</b> , all use, per therm:	<u>\$0.0587</u>	<u>\$0.0297</u>
<b>Demand Charge</b> per therm of daily contract demand as shown on Sheet 9a.		

(I)

Gas Demand Payment Elections

- A. Annually - in advance, with 5% discount
- B. Seasonally profiled
  - January & February 20% of annual charge per month
  - March & December 15% of annual charge per month
  - April & November 10% of annual charge per month
  - May & October 5% of annual charge per month
  - June through September 0% of annual charge per month
- C. Monthly - 12 equal billings

In the absence of an appropriate election by customer Election "C" will be automatically assigned. Unless otherwise mutually agreed upon between the Company and customer all elections must be for a minimum period of twelve consecutive months.

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Service on and after  
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Issued By: Rates Analyst

# SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY  
HURON  
SOUTH DAKOTA

Section No. 3  
9<sup>th</sup> Revised Sheet No. 4.1  
Canceling 8<sup>h</sup> Revised Sheet No. 4.1

**CLASS OF SERVICE: Commercial and Industrial**  
**RATE DESIGNATION: Interruptible Sales Service**

**Rate No. 85**

**1. Applicability**

Gas service under this rate schedule is available on an interruptible basis to any customer for commercial and industrial purposes, whose maximum requirements for natural gas are greater than 200 therms per day, provided that the customer's premises are adjacent to the Company's mains and that the capability of the Company's system and the supply of gas available from its suppliers is in excess of the requirements of its existing customers. If no historical peak day usage is available, the name plate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirement. All Grain Dryer Customers with a connected load greater than 20 Mmbtu per hour will be required to obtain service under Rate No. 86.

**2. Territory**

The area served with natural gas by the Company in South Dakota.

**3. Rates**

Customer may choose the rate option which best fits the customer's needs.

Monthly Charges:

**Customer Charge** per Meter:

Option A

\$ 80.00

Option B

\$280.00

**Non-Gas Commodity Charge**, all use, per therm:

\$0.0587

\$0.0297

(I)

Minimum Monthly Bill:

The Customer Charge.

Adjustment Clauses:

- a. Adjustment Clause shall apply. (Sheet Nos. 9, 9a, 9b)
- b. Tax Adjustment Clause shall apply. (Sheet No. 10)
- c. BTU Adjustment Clause shall apply. (Sheet Nos. 12, 12a)

**4. Penalty Provision**

If customer fails to comply with Company's request to curtail the use of gas, then all unauthorized gas so used shall be "Penalty Gas" and be paid by the Customer at a rate which is the greater of \$3.00 per therm or the maximum penalty charges permitted to be made by the Company's upstream service providers for takes of natural gas in addition to the regular Commodity Charge for such gas. All costs collected will be credited to expense in PGA true-up filings.

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**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN CORPORATION d/b/a NorthWestern Energy**  
**HURON**  
**SOUTH DAKOTA**

	<b>Section No. 3</b>
<b>1<sup>st</sup> Revised</b>	<b>Sheet No. 4.4</b>
<b>Canceling    Original</b>	<b>Sheet No. 4.4</b>

**CLASS OF SERVICE: Commercial and Industrial**  
**RATE DESIGNATION: Interruptible Sales Service**

**Rate No. 85FAM**

**1. Applicability**

This rate is available to former City of Freeman customers (AMPI) on Table 13.

**2. Territory**

The territory is limited to the city of Freeman and surrounding area previously served by the municipal system.

**3. Rates**

Monthly Charges:

**Customer Charge** per Meter: \$ 280.00

**Non-Gas Commodity Charge:**

All Therms, per therm \$ 0.1287

**(I)**

Minimum Monthly Bill: \$ 280.00

Adjustment Clauses:

- a. Adjustment Clause shall apply. (Sheet Nos. 9, 9a, 9b)
- b. Tax Adjustment Clause shall apply. (Sheet No. 10)
- c. BTU Adjustment Clause shall apply. (Sheet Nos. 12, 12a)

**4. Other Provisions**

Service will be furnished under the Company's General Terms and Conditions.

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**Service on and after**  
**Effective Date: December 1, 2007**

**Jeff J. Decker**  
**Issued By: Rates Analyst**

# SOUTH DAKOTA GAS RATE SCHEDULE

<b>NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY</b> <b>HURON</b> <b>SOUTH DAKOTA</b>	<b>2nd Revised</b> <hr/> <b>1<sup>st</sup> Revised</b>	<b>Section No. 3</b> <b>Sheet No. <u>5.1</u></b> <b>Sheet No. <u>5.1</u></b>
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<b>CLASS OF SERVICE: Commercial and Industrial</b>	<b>Rate No. <u>86</u></b>
<b>RATE DESIGNATION: Contract Sales Service</b>	

**1. Applicability**

This rate is available for gas volumes, on a contract basis, to commercial and industrial customers, including governmental entities. If no historical peak day usage is available, the nameplate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirement.

**2. Availability**

This service is available to commercial and industrial customers, including governmental entities, with facilities served by the Company in South Dakota, with primarily space heating requirements, or grain dryers, who have Company installed telemetric equipment in place to monitor daily usage. This service is available on a firm or interruptible basis.

**3. Rates**

Customer may choose the rate option, and level of daily contract demand (never less than 50 therms), which best fits the customer's needs.

<u>Monthly Charges:</u>	<u>Option A</u>	<u>Option B</u>
<b><i>Customer Charge</i></b> per Meter:	\$130.00	\$330.00
<b><i>Non-Gas Commodity Charge</i></b> , all use, per therm:	\$0.0587	\$0.0297
<b><i>Demand Charge</i></b> per therm of daily contract demand as shown on Sheet 9a, as applicable to firm service customers, never less than 50 therms.		

**(I)**

Unless otherwise mutually agreed upon between the Company and customer all elections must be for a minimum period of twelve consecutive months.

Released Capacity and Balancing Services Surcharge:

For all therms taken during a month in excess of the product of the daily contract demand times the number of days in the billing period an additional \$0.0170 per therm shall be assessed and added to the Gas Commodity Charge shown on Sheet No. 9a.

Such surcharges collected will be credited to expense in the Company's Adjustment Clause filings.

One-Time Charges:

Application Charge: \$50.00 with each request for service.  
 Telemetry: Standard cost of telemetry, installation and hardware, including appropriate tax gross-up, shall be \$2,100 per unit installed.

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**Service on and after**  
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# SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY  
HURON  
SOUTH DAKOTA

Section No. 3  
9<sup>th</sup> Revised Sheet No. 6.1  
Canceling 8<sup>th</sup> Revised Sheet No. 6.1

**CLASS OF SERVICE: Gas Transportation Tariffs**  
**RATE DESIGNATION: Transportation Service**

**Rate No. 87**

**1. Applicability and Character of Service**

This Transportation Service Tariff shall apply to gas purchased by Customer from a third-party supplier, or through an agency relationship with the Company, delivered to Company's system by an interstate pipeline, and received, transported, and delivered, on a firm basis, by Company to Customer's premises, when the Company and Customer have executed a Service Request Form.

**2. Availability**

This service is available to any Customer with facilities served by the Company in South Dakota who has Company installed telemetric equipment in place to monitor daily usage. Company shall have no obligation to provide gas supplies to customers that contract for this service without also contracting for Firm Supply Standby Service or other optional firm supply services that may be offered. In the event that a Customer seeks to purchase gas supplies from Company, such sales shall be at the sole discretion of Company.

**3. Rates**

Customer may choose the rate option which best fits the customer's needs.

Monthly Charges:

	<u>Option A</u>	<u>Option B</u>
<b><i>Customer Charge</i></b> per Meter:	<u>\$130.00</u>	<u>\$330.00</u>
<b><i>Commodity Charge</i></b> , all use, per therm:	<u>\$0.0587</u>	<u>\$0.0297</u>

**(I)**

***Fuel Retention***, a Customer or Group Customer, if applicable, shall have the option to choose either an indexed based or inkind method to apply retention, as provided in the Gas Transportation General Terms and Conditions in Section No. 5 of this tariff.

One-Time Charges:

Application Charge: \$50.00 with each request for service.  
Telemetering: Standard cost of telemetry, installation and hardware, including appropriate tax gross-up, shall be \$2,100 per unit installed.

Minimum Monthly Bill:

The Customer Charge.

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**Service on and after**  
**Effective Date: December 1, 2007**

**Jeff J. Decker**  
**Issued By: Rates Analyst**

## GENERAL TERMS AND CONDITIONS

### 1. Applicability

These General Terms and Conditions apply to all classes of Gas service unless otherwise indicated on the rate schedule.

### 2. Point of Service Attachment

Point of service attachment is defined as that point where the facilities of the Company are physically connected to the facilities of the customer. In general, the point of service attachment is on the outlet side of the meter where the customer's fuel piping connects with the meter.

### 3. Customer's Installation

The customer will furnish and own all fuel piping, equipment, appliances, fixtures and other devices necessary to distribute gas service from the point of service attachment. All such items furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the constituted authorities and with the terms and conditions of the Company.

### 4. Customer Connection Charge

Customer Connection is defined as attaching a customer to receive utility service upon a request for service or reconnection of discontinued service. The Company may require the Customer, Landlord or representative to be present during the Service turn-on. The connection charge will be billed to all customers applying for utility service. (Customer Connection does not include the reconnection of a customer whose utility services were discontinued due to nonpayment of utility bills. Reconnection charges for such customers are based on the Company's hourly rates for service work with a one-hour minimum.) The amount of the Customer Connection Charge will be \$10.00 for all Customer Connections during normal business hours defined as 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding legal holidays, and \$75.00 for Customer Connections during other than regular business hours. Customers requesting service after the Company's normal business hours will be informed of the after hour service rate and encouraged to have the service performed during normal business hours. The Customer Connection Charge shall be paid by the Customer receiving utility service from the Company, and is due and payable upon presentation. If a bill is not paid, the Company shall have the right to refuse service.

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(Continued)

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(Continued)

Seasonal Use Customers (Grain Dryers, Asphalt Plants, Municipal Pools etc.) will be charged \$80 for all Customer Connections during normal business hours defined as 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding legal holidays, and \$125.00 for Customer Connections during other than regular business hours. The Customer Connection Charge shall be paid by the Customer receiving utility service from the Company, and is due and payable upon presentation. If a bill is not paid, the Company shall have the right to refuse service.

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**5. Owner's Consent To Occupy**

In case the Customer is not the owner of the premises or of the intervening property between the premises and the Company's lines, the Customer will obtain from the property owner(s) the necessary consent to install and maintain in said premises all such gas equipment as is necessary or convenient for supplying gas to the Customer.

**6. Service & Mains**

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For services except mobile homes in mobile home parks, the Company will install a service along the shortest feasible route from the gas main to the customer's building upon the customer making a non-refundable contribution based upon the distance from the customer's property line to the point of service attachment as follows:

For residential customers using natural gas as their primary heating source and for water heating: the customer will be charged a \$90.00 connection fee for the first 150 feet of service pipe. Any distance beyond 150 feet may result in the company requiring an Advance for Construction or a Contribution in Aid of Construction based on the consideration of revenues from the project and the cost of the construction as described in the Economic Feasibility section below.

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For residential customers using natural gas for space heating only, fireplace only, water heating only, natural gas grill only, or any combination other than primary space heating and water heating as described above: the Company will consider the total cost of serving the Customer and the expected revenue from the Customer. In this determination, if the project is not economically feasible as described in the Economic Feasibility section below, the Company may require an Advance for Construction or a Contribution in Aid of Construction from the customer to aid in the construction expense to serve the Customer.

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(Continued)

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**Jeff J. Decker**

**Issued By: Rates Analyst**

(Continued)

For services to mobile homes in mobile home parks, a non-refundable contribution of \$75.00 will be made by the customer for services up to 50 feet of horizontal piping in the mobile home lot. For services over 50 feet, or where the load does not consist of a natural gas furnace and a natural gas water heater, an additional non-refundable contribution may be required as described on sheet 1a, for residential customers.

**Commercial and Industrial Customers:** The Company may install natural gas service or main without charge where the Company deems the anticipated revenue from the customer is sufficient to justify the service or main extension. The Company will apply the general principle that the rendering of natural gas service to the applicant shall be economically feasible so that the cost of extending such service will not have an undue burden on other customers. In determining whether the expenditure of natural gas service or main is economically feasible, the Company shall take into consideration the total cost of serving the Customer and the expected revenue from the Customer as described in the Economic Feasibility section below. If the Company determines that the extension of service or main to the Customer is not economically feasible, the Company may require an Advance for Construction or a Contribution in Aid of Construction from the customer or customers to aid expansion. In instances where the project is not paid in advance, the Company may require a Letter of Credit or other Guarantee to secure the cost of the project. Projects that term longer than one year will carry interest at the rate of the allowed rate of return in the Company's most recent gas cost of service determination.

**Economic Feasibility:** For determining contributions on facility extensions, annual revenue will be determined by multiplying the projected volumes by the projected tariff delivery rate. The annual revenue will be reduced by the annual projected Operating, Maintenance, Property Tax Expenses. The resulting net margin will be divided by the current allowed rate of return, grossed up for taxes to determine the level of investment the load will support. Any project costs over and above the determined level of investment will be collected from the customer.

(Continued)

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(Continued)

In instances where a Contribution in Aid of Construction is required, three years after the project has been completed, the Company will review the three-year average use. If the actual volumes vary from projected volumes by 20% or more, the Company will charge or credit the customer for the variance, without interest, in projected Contribution in Aid of Construction. The original project revenues will be recalculated using the actual average volumes, normalized for weather, from the three-year period. The costs and rates used in the original calculation will remain unchanged.

Installation of gas service lines are scheduled by the Company for completion during the regular construction season. The Company may make a charge for added cost of the construction of a gas service line if the installation is required when the ground is frozen.

The Company will not install Gas Services and Mains until the surface has been graded to within six inches of a permanent established elevation.

#### 7. Meter Test By Customer Request

Any customer may request the Company to test its gas meter. The Company shall make such test as soon as possible after receipt of the request. If a request is made within one year after a previous request, the Company may require a residential customer to pay a \$10 deposit and may require any other customer to pay a deposit in the following amount:

Meters rated at 425 CFH or less	\$10.00
Meters rated at 426 CFH to 1000 CFH	\$20.00
Meters rated over 1000 CFH	\$60.00

The deposit shall be refunded only if the meter is found to have an unacceptable error, as defined in the Commission's regulations.

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GENERAL TERMS AND CONDITIONS  
(Continued)

ACCESS TO PREMISES

The Company has the right of access to the Customer's premise at all reasonable times for the purpose of installing, reading, inspecting, or repairing any meters, devices and other equipment used in connection with furnishing of any or all service, or for the purpose of removing its property and for all other proper purposes.

Access to the meter is required for the Company to read the meter. If access is not provided, the Company may estimate the billing for up to three consecutive months. The Company will notify the Customer upon each unsuccessful attempt to access the meter. If access has not been provided at the end of the three consecutive month period, the Company may charge a \$20 Special Access Fee in order to secure an actual read of the meter.

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PROTECTION OF COMPANY'S PROPERTY

The Customer will properly protect the Company's property on the Customer's premises from loss or damage and will permit no one who is not an agent of the Company to remove or tamper with the Company's property.

METERING

The service used will be measured by a meter or meters to be furnished and installed by the Company at its own expense and upon the registration of said meters all bills will be calculated. If more than one meter is installed on different classes of service (each class being charged for at different rates) each meter will be considered by itself in calculating the amount of any bill, except as otherwise provided on a specific rate schedule. Meters include all measuring instruments.

BYPASSING OR TAMPERING WITH METERING FACILITIES

Customers shall not interfere in any way with the metering facilities after they have been set in place. In cases where the meter seal is broken or the working parts of the meter have been tampered with or the meter damaged or there is evidence that a bypass has been used, the Utility may render a bill for the current billing period based upon the estimated use, considering past experience under similar conditions and may, in addition thereto, charge for the actual cost of repairing or replacing said meter and connections. Service may be discontinued or refused at the premises where such bypassing or tampering has occurred until all such charges are paid. Legal action may also be pursued in the instance of meter tampering. This section does not apply to metering facilities that are damaged by acts of God.

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Budget Payment Plan

The Company's Budget Bill Plan (BBP) is available to residential and commercial customers. It may be initiated for a customer at any time during the year, provided that the customer has paid all outstanding utility charges due the Company.

The company will have a billing practice under which a Customer may be billed monthly for a percentage or portion of the Customer's total annual consumption as estimated by the Utility. The purpose of such budget billing is to provide, insofar as it is practicable to do so, a uniform monthly bill.

Each BBP account will be reviewed by the Company at least semi-annually, based on their Budget Billing start date, to determine if an adjustment to the budget amount is necessary, to minimize annual over/under collection balances. The new BPP will be determined by adding the customer's actual debit or credit balance, at the time of review, to the customer's prior 12 months billings under current tariff rates, adjusted for normal weather, known changes in consumption, and projected Adjustment Clause price increases or decreases, the sum of which is divided by twelve. Where prior billings are not available, the Company will estimate billings using the best available information of customer's consumption.

Should a customer request that the Company not take the actual debit or credit balance into consideration when calculating a revised budget amount, the Company will issue a check to a customer with a credit balance or bill the customer for any debit balance.

Service to customers participating in the BPP shall be pursuant to the General Terms and Conditions of service including the Terms of Payment provisions contained therein, provided, however, that service to a BBP customer will not be disconnected for non-payment if the customer has a credit balance in his account. A customer may discontinue participation in the BBP at any time.

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**BILLING DAY AND CURTAILMENT OF GAS**

The billing day for the purpose of determining the amount of gas used will be from 9:00 a.m. CCT one day until 9:00 a.m. CCT the next day. The Company shall have the right to curtail or limit the Customer's use of gas during any billing day to the Contract Demand then in effect when demand by firm and higher priority interruptible natural gas purchasers exceeds available pipeline supply. Curtailment of interruptible gas will commence at 9:00 a.m. CCT at the start of a new billing day. Under normal circumstances, notice of curtailment of interruptible gas will be given to Customer by 3:00 p.m. CCT, prior to the beginning of the gas day in which curtailment is to begin. However, in cases of emergency (to be determined solely by the Company) any notice prior to 9:00 a.m. CCT is deemed to place the curtailment in effect at 9:00 a.m. CCT, and such curtailment shall continue in effect until the Company notifies Customer that the curtailment is released. In cases of emergency when notice of curtailment cannot reasonably be given immediately prior to a new billing day, Customer will cooperate with the Company by curtailing its use of interruptible gas as soon as possible after notice of curtailment by Company. Proper notice of curtailment will be deemed to have been given, when any person or persons authorized to receive curtailment orders on behalf of Customer has been notified by telephone or in person by a representative of Company.

The Company will endeavor to give the Customer as much notice as possible with respect to curtailment of service. Customer agrees to provide and maintain complete standby facilities and have available at all times sufficient standby fuel to maintain continuous plant operations during complete curtailment in the delivery of natural gas.

**CONTINUITY OF SERVICE, INTERRUPTIONS, AND LIABILITY**

The Company will endeavor to provide continuous service but does not guarantee an uninterrupted or undisturbed supply of gas service. The Company will not be responsible for any loss or damage resulting from the interruption or disturbance of service for any cause other than negligence of the Company. The Company will not be liable for any loss of profits or other consequential damages resulting from the use of service or any interruption or disturbance of service.

The Company shall use due care and diligence to furnish gas service near the normal pressure levels and in accordance with the acceptable levels of delivery pressure as may exist under operating conditions in the pipeline and distribution system.

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Because delivery pressure may vary, the customer shall install, operate, and maintain, at his own expense such pressure regulating devices as may be necessary to regulate the pressure of gas after its delivery to the customer. The Company shall not be liable for the control of gas pressure or gas after delivery of gas to the consumer.

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Neither Customer nor the Company shall have any claim against the other for damages sustained as a result of interruptions of gas deliveries caused by Acts of God, weather conditions, labor disturbances, fires, accidents, breakage or repair of pipeline, mechanical failure of any machinery, equipment or other mechanical devices, shortage of gas supply, or other causes or contingencies beyond the reasonable control of and occurring without negligence on the part of such other party. When such causes or contingencies cease to be operative, delivery and receipt of gas shall resume as soon as practicable. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party affected. Any such cause or contingency, however, exempting customers from liability for non-performance (except where prevented by valid orders or requirements of Federal, State, or other governmental regulatory bodies having jurisdiction in the premises) shall not relieve customer of its obligation to pay minimum charges in accordance with the applicable rate schedule.

The Customer agrees to save, indemnify and hold the Company harmless from any and all claims, damage, or injury to persons or property arising from any cause whatsoever after the delivery of gas by the Company to the point of service attachment, except where such injury or damage is shown to have been caused solely by the negligence of the Company. The Customer shall not be liable for any loss, damage, or injury to persons or property arising from any cause whatsoever before the actual delivery of gas to the point of service attachment, except where such injury or damage is shown to have arisen solely from the negligence of the Customer. The Customer shall assume responsibility for all service and equipment at and from the Customer's point of service attachments.

#### DELIVERY PRESSURE

The volume of gas measured, where delivered at other than 0.25 p.s.i.g. at the customer's meter, shall be adjusted to a base pressure equal to atmospheric pressure plus 0.25 p.s.i., in accordance with accepted standards for measurement of gas at varying pressures.

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# NORTHWESTERN'S NATURAL GAS RATE notice

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We work to provide the best in quality customer service. In June, NorthWestern Energy filed with the South Dakota Public Utilities Commission (SDPUC) for a natural gas rate increase. NorthWestern's rates have remained the same for eight years and will continue to be very competitive.

After extensive review, NorthWestern Energy and the SDPUC staff have reached settlement on the rate increase which will begin on December 1, 2007. The SDPUC commissioners will take final action on the settlement agreement in December of 2007. *See the charts on the back of this flyer for a detailed breakdown of rate comparisons.*

Q: Why did you seek a rate increase?

A: To cover rising costs of the operation and maintenance of the natural gas delivery system. The increase allows us to continue to enhance our natural gas distribution system.

Q: How much will rates increase?

A: Residential rates will increase an average of 5.8%, which is relatively low when compared to a 21.6% rate of inflation over the same time period.

Q: How will this increase affect my bill?

A: Please refer to charts on the back of this flyer.

Q: When will the new rates go into effect?

A: The new rate will begin on December 1, 2007. If you are concerned about high winter bills, NorthWestern offers a Budget Billing Plan, which provides even monthly payments throughout the year. NorthWestern also provides tips on how to save energy during the cold winter months. For more information visit your local office or our Web site or call the customer contact center at (800) 245-6977.

The following table compares sample residential bills using prior rates and the new approved rates at varying levels of monthly usage. Sample bills also include the cost of natural gas.

Monthly Therms	Prior Rate	New Rate	Amt. of Increase	Percentage Increase
10	\$17.47	\$19.55	\$2.08	11.9%
50	\$61.80	\$66.48	\$4.69	7.6%
100	\$115.24	\$121.07	\$5.84	5.1%
200	\$222.12	\$230.25	\$8.14	3.7%
300	\$329.00	\$339.43	\$10.44	3.2%
500	\$542.76	\$557.79	\$15.04	2.8%

SOUTH DAKOTA RATE COMPARISON		
	Old Rate	New Rate
Customer Charge	\$6.00	\$7.00
First 40 Therms	\$0.2055	\$0.3130
Over 40 Therms	\$0.127	\$0.150

## contact...

SOUTH DAKOTA  
Customer Contact Center  
6 a.m. - 10 p.m. M-F (800) 245-6977

Emergency 24/7 Service (800) 245-6977

NorthWestern  
Energy